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INCOMING TELEGRAM

(1) 77

PAGE 01 KINGST 00836 01 OF 02 042214Z 7687 KINGST 00836 01 OF 02 042214Z

ACTION ARA-15

INFO OCT-01 EUR-12 EA-10 NEA-06 IO-14 ADS-00 CIAE-00
DODE-00 NSAE-00 NSCE-00 SSO-00 ICAE-00 INRE-00
PM-05 H-01 INR-10 L-03 PA-01 SP-02 SS-15 HA-05
SR-04 EB-08 COME-00 OMB-01 TRSE-00 NSCE-00 AGDA-22
SIL-01 LAB-04 HEW-04 /141 W

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O R 042130Z FEB 86
FM AMEMBASSY KINGSTON
TO SECSTATE WASHDC IMMEDIATE 1114
INFO AMEMBASSY BRIDGETOWN
AMEMBASSY GEORGETOWN
AMEMBASSY NASSAU
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USINT HAVANA
USINT BAGHDAD
USMISSION USUN NEW YORK
AMEMBASSY BRUSSELS
USNATO 10
AMEMBASSY ALGIERS
AMEMBASSY BONN
AMEMBASSY BUDAPEST
AMEMBASSY CARACAS
AMEMBASSY KUWAIT
AMEMBASSY LONDON
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AMEMBASSY MEXICO
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AMEMBASSY OSLO
AMEMBASSY PARIS
AMEMBASSY TOKYO
AMEMBASSY THE HAGUE
AMEMBASSY SEOUL

C O N F I D E N T I A L SECTION 1 OF 2 KINGSTON 0836

DEPARTMENT PASS TO TRIPOLI

E.O.12065: GDS 2/4/86 (DUBOSE R) OR-P
TAGS: PINT, JM
SUBJECT: JAMAICA AT THE CRUNCH, MICAHEL MANLEY SURRENDERS AND CALLS FOR ELECTIONS OR DOES HE?

1. C-ENTIRE TEXT.

2. SUMMARY: IN A MUCH DELAYED ADDRESS TO THE NATION, AS JAMAICA DESCENDED INTO BOTH FOREIGN EXCHANGE AND INTERNAL INSOLVENCY, MICAHEL MANLEY ON JANUARY 3, ANNOUNCED THAT HE WAS CALLING FOR ELECTIONS AS SOON AS THE NEWLY INSTALLED ELECTROAL REFORM MACHINERY IS IN PLACE. HE ESTIMATES OCTOBER MEANWHILE HE ALSO ANNOUNCED THAT JAMACIA NEGOTIATIONS WITH THE IMF HAD BROKEN DOWN, AND THERE WAS NO AGREEMENT IN SIGHT. THOUGH HE HAS (FAINT) HOPES THAT THE IMF BOARD WILL BE CHARITABLE ANYWAY, AND HELP THE COUNTRY EVEN THOUGH IT IS NOT WILLING TO MAKE THE LARGE BUDGET CUTS NEEDED TO MEET THE IMF STANDARDS. ON THE CASE OF IT MANLEY HAS TAKEN A MOST PRINCIPLED REACTING TO THE DETERIORATING SITUATION ABY POSITION MORE OR LESS AGREEIN TO BOW OUT AND PUT IT TO THE PEOPLE BUT HE SEEMS TO HAVE AVOIDED THE OVERRIDING NECESSITY OF FACING REALITY, IE THAT THE COUNTRY SIMPLY DOES NOT HAVE THE MONEY TO CONTINUE SPENDING AT THE RATE IT HAS BEEN SPENDING WE WORRY ABOUT WHAT HAPPENS BETWEEN NOW AND THE ELECTION. END SUMMARY.

3. MANLEY WAS CALM AND UNUSALLY UNEMOTIONAL AS HE VIRTUALLY ADMITTED THE FAILURE OF HIS GOVERNMENT TO BAIL OUT THE COUNTRY. HE DID MENTION THE US $50 MILLION LOAN FROM LIBYA AS A HELP TO BRIDGE THE IMMEDIATE CRISIS. HE SAIS THAT THE IMF WAS INSISTING UPON A J$GTP MILLION REDUCTION IN THE EXPECTED BUDGET DEFICIT. THE GOVERNMENT HAS BEEN ABLE TO FIND 100 MILLION, HE SAID BY VARIOUS EMPLOYMENT CUTBANKS CONSERVATION MEASURES, INCREASING FEES AND REDUCING SUBSIDIES BUT THE STICKING POINT WITH THE IMF TEAM WAS THE OTHER $50 MILLION ONE WAY OF OBTAINING THE OTHER 50 WOULD BE 11,000 LAYOFFS. ALTERNATIVELY THERE WOULD BE ABANDONMENT OF MANY SOCIAL PROGRAMS BUT ALSO WITH SOME LAYOFFS HE SAID AND THE GOVERNMENT WOULD NOT DO THIS AS IT WOULD "VISIT TERRIBLE ADDITIONAL HARDSHIP ON THE PEOPLE".

NOTE BY OC/T: NOT PASSED TRIPOLI,

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C O N F I D E N T I A L SECTION 2 OF 2 KINGSTON 0836

DEPARTMENT PASS TO TRIPOLI

4. MANLEY HAS ANNOUNCED AN ELECTION. OCTOBER IS DEBATABLE SINCE THE MACHINERY COULD BE PUT IN PLACE BY JUNE. BY MOST ANY CALCULATIONS MANLEY WILL LOSE A FAIR ELECTION, THE OPPOSITION INCREASINGLY PICKS UP SUPPORT AS THE ECONOMY CONTINUES TO DECLINE. CONSTITUTIONALLY, MANLEY COYLD HAVE HELD CHTO POWER UNTIL DECEMBER 1981. THE BIG QUESTION IS WHAT HAPPENS TO TO JAMAICA IN THE INTERIM. EVEN THOUGH A COMPLETE BREAK WITH THE IMF IS NOT INEVITABLE THE IMF HAS SHOWN REMARKABLE PATIENCE HERE JAMAICA FACES HARD TIMES IN THE IMMEDIATE FUTURE. COMEERCIAL BANK PAYMENTS DUE IN EARLY FEBRUARY (IF THE IMF AGREEMENT IS NOT RENEWEF AND ALREADY SOMEWHAT DELAYED, ARE IN THE NEIGHBOTHOOD OF US$60-70 MILLION. VITAL ARREARS OR REGULAR MONTLY PAYMENTS TO KEEP THE COUNTRY GOING, PARTICULARLY THE OIL BILL TO ESSO, AMOUNT TO ABOUT AN ADDITIONAL $15-20 MILLION, URGENT ARREARS ON WHAT MIGHT EUPHEMISTICALLY BE CALLED CURRENT ACCOUNTS IE IMPORTA ALREAOY HERE ON A VARIETY OF REDIT ARRANGEMENTS ARE ABOUT ANOTHER $50 MILLIUON, DEBT SERVICE IMMEDIATELY DUE ON BILATERAL AND IFI LOANS, IS ABOUT $20 MILLION. THE GOVERNMENT'S FOREIGN EXCHANGE INCOME IN JANUARY FROM ALL SOURCES WE ESTIMATE COULD HAVE BEEN APPROXIMATELY $50-70 MILLION THE LIBYAN LOAN GIVES AN ADDITIONAL US$50 MILLION IN IMMEDIATE LIQUIDITY WHICH WILL PROBABLY BE USED TO PAY A PART OF THE ARREARS, ESTIMATED AT $US 70 MILLION THE POSSIBILITY OF OTHER LOANS FROM VENEZUELEA OR OTHER SOURCES REMAINS SPECULATIVE. THE COUNTRY FACES THE PROSPECT OF INSOLVENCY IN FOREIGN EXCHANGE IF THE IMF OR SOME OTHER IFI OR COUNTRY DOES NOT GIVE FURTHER IMMEDIATE ASSISTANCE. I DO NOT NEED TO OUTLINE THE CURRENT ACCOUNT OUTLOOK WHICH IS EQUALLY DESPERATES.

5. THE GOVERNMENT FACES INCREASED PRESSURE, PERHAPS UNCONTROLLABLE PRESSURE, FROM PEOPLE MORE OF WHOM ARE INCREASINGLY HUNGRY, AND INCREASINGLY DESPERATE. IN THE LAT WEK WE HAVE AD TWO CARIEVIED OF PUBLIC DEMONSTRATIONS: (1) THE COMMUNIST ORGANIZED BUT INCREASINGLY BROAD"ANTI IMF" CLAQUE, WHIHC HAVE ORGANIZED MARCHES ON JAMAICA HOUSE (THE GOVERNMENT CENTER) DAILY OF FROM 200 TO 500 PEOPLE. THEIR MESSAGE IS THAT THE "IMF ATTACKS THE POOR PEOPLE OF JAMAICA. THESE AMRCHES MAY HAVE HAD THE TACIT APPROVAL OF TH OGVERNMENT THEY WERE TO IMPRESS THE IMF AND AS WE NOW REALIZE THE OPENING GAMBIT IN AN ELECTION CAMPAIGN (2) ASSAULTS UPON SUPERMARKETS QUITE SPONTANEOUS AND UNORGANIZED. THIS SEEMS TO BE HAPPENING THROUGHOUT THE ISLAND. WITH THE DISPAPEARANCE OF STAPLES, THE ANGRY WOMEN BREAK INTO THE SOTREROOMS OF SUPERMARKETS. THERE HAS BEEN LITTLE VIOLENCE YET BUT AS FOOD STOCKS CONTINUE TO DW INDLE, THE ANGER AND FRUSTRATION WILL INCREASE.

6. IT IS TOO SOON TO HAVE MUCH INSIGHT INTO MANLEY'S STRATERIES. HE IS PROBABLY BANKING ON A COMBINATION OF FACTORS TO AT LEAST GIVE HIM A CHANCE TO WIN AN ELECTION. AMONG THESE:
CONTINUES TO TRY AND WHIP NATIONALIST XENOPHOBIA ON THE "ANTI IMF" ANTI IMPERIALIST THEME)
SOMEHOW KEEP THE ECONOMY FROM COMPLETE DISASTER BY SHORT TERM MEASURES SUCH AS DECIFIC FINANCING THROUGH THE CENTERAL BANK AND OBTAINING MORE LOANS.
THERE IS ALSO THE POSSIBLITY THAT MANLEY DOES NOT SERIOUSLY BELIEVE HE CAN WIN AN ELECTION THIS YEAR. AND THUS WILL PLAN HIS STRATEGY WITH THE VIEW OF PUTTING THE OPPOSITION INTO AN IMPOSSIBLE OR EXTREMELY DIFFICULT POSITION WHEN IT ASSUMES POWERM IN THIS SECENARIO IT MAKES SENSE FOR HIM TO ESIST THE HARD DECISIONS REQUIRED BY THE IMF. LET SEAGATRIM THE PUBLIC PAYROLL.

7. IN ANY EVENT MANLEY IS TO BE COMMENDED FOR PUTTING THE CHOICE OF THE FUTURE POLITICAL AND ECONOMIC COURSE OF THE COUNTRY TO THE VOTERS. IT IS A PLUS FOR DEMOCRACY, EVEN THOUGH THE PERIOD BETWEEN NOW AND THE ELECTION HOLDS MANY PERILS FOR THAT DEMOCRACY.
LAWRENCE

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